

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
First-Class Package Service
First-Class Package Service Contract 5

Docket No. MC2012-21

Competitive Product Prices
First-Class Package Service Contract 5 (MC2012-21)
Negotiated Service Agreement

Docket No. CP2012-27

PUBLIC REPRESENTATIVE COMMENTS

(May 18, 2012)

The Public Representative hereby provides comments pursuant to Order No. 1344.¹ In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on the Postal Service's Request to add First-Class Package Service Contract 5 to the competitive products list within the Mail Classification Schedule.

Discussion

The Public Representative has reviewed the Postal Service's Request and the Statement of Supporting Justification (Attachment A), the contract, and the Postal Service's proposed revised text of the Mail Classification Schedule (MCS) for First-Class Package Service Contract 5. The Public Representative has also reviewed the supporting financial models filed separately under seal for the instant contract that accompanied the Postal Service's Request. Based upon that review, the Public Representative concludes that the First-Class Package Service Contract 5 satisfies the

¹ PRC Order No. 1344, Notice and Order on Request Concerning First-Class Package Service Contract 5, May 11, 2012.

criteria of section 3642(b), concerning the classification of new competitive products, and complies with the requirements of section 3633(a), concerning rates for competitive products.

Under 39 U.S.C. § 3642(b) the criteria governing Commission review are whether the product (1) qualifies as market dominant, (2) is covered by the postal monopoly and therefore precluded from classification as a competitive product, and (3) reflects certain market considerations, including private sector competition, the impact on small businesses, and the views of product users. The Postal Service makes reasonable arguments that the instant First-Class Package Service Contract 5 satisfies the considerations in section 3642(b).

In its request, the Postal Service demonstrates that the rates in the instant First-Class Package Service Contract 5 conform to 39 USC 3633(a). First-Class Package Service Contract 5 is likely to generate sufficient revenue to cover its attributable costs, enable competitive products as a whole to cover their costs and make a reasonable contribution to the Postal Service's total institutional costs.

Additionally, in Governors' Decision No. 11-6, the Postal Service establishes a minimum cost coverage for First-Class Package Service Contract 5. The Postal Service's supporting worksheets indicate that the instant contract's cost coverage is expected to exceed the minimum.

Nonetheless, the Public Representative is concerned about the Postal Service's decision to exempt the mailer from DMM 433.1.5.b., the requirement to apply an intelligent mail barcode (IMb) to the mail piece. The Postal Service has stated that its Intelligent Mail as one of its nine key initiatives, identified in 2011 as particularly important to the Postal Service². Contracts that waive the IMb requirement seems to run counter to the Postal Service's commitment to this initiative and degrades the visibility of First-Class Package Services.

² See 2011 Annual Report to Congress and Comprehensive Statement on Postal Operation at 30.

Conclusion

The Public Representative, after reviewing all materials in the Postal Service's submitted under seal in this matter, acknowledges that the pricing in the present First-Class Package Service Contract 5 appears to comport with relevant provisions of title 39. This contract contains provisions favorable to both the Postal Service and the public.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

Katalin K. Clendenin
Public Representative

901 New York Ave. NW
Washington, DC 20268-0001
202-789-6860
Katalin.clendenin@prc.gov